中國基礎能源控股有限公司
China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8117)

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT
2023

TABLE OF CONTENT

List of Tables

Environmental, Social and Governance Report

I. PREAMBLE

Energy has become an integral part of people's daily lives and plays a crucial role in a nation's development. Given the growing concern about climate change and global warming, natural gas is recognised as a vital element in shaping a cleaner future. Despite being a fossil fuel, natural gas emits fewer emissions, including air pollutants and carbon dioxide ("CO_2"), while providing equivalent energy compared to coal, petroleum and other fossil fuels. China Primary Energy Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") understand the significance of investing in this green energy alternative to accelerate the global transition to a clean energy system, while continue to enhance its performance across the Environmental, Social and Governance ("ESG") aspects.

China's commitment to peaking carbon emissions before 2030 and achieving carbon neutrality before 2060 demonstrates the nation's determination to build a "green economy". During the 14th Five-Year Plan period, "green development" has become a key focus for the Chinese government's actions against climate change. Aligned with the guiding principles and requirements of national policies, including the "Guiding Opinions on Energy Work in 2022"(《2022年能源工作指導意見》) and "Action Plan for Carbon Dioxide Peaking Before 2030"(《2030年前碳達峰行動方案》), the Group is dedicated to fulfilling its responsibility as a green energy provider and contributing to the Chinese government's ambition.

Moving forward, the Group is committed to advancing its clean energy transformation, while ensuring a balanced approach that considers environmental protection, social responsibilities and economic development. Building upon the progress made in optimising its ESG system and performance, the Group aims to further explore sustainable alternatives within its operations and throughout its value chain.

Environmental, Social and Governance Report

II. ABOUT THIS REPORT

The Group is pleased to present its ESG Report ("ESG Report") for financial year 2023 ("FY2023") from 1 January 2023 to 31 December 2023. Through this ESG Report, the Group aims to demonstrate its approach and performance regarding ESG management and corporate sustainable development. It also outlines the key challenges and opportunities that the Group encounters on its journey to create shared value to all sustainably, as well as the effective approaches and strategies that the Group will employ to address these challenges and seize the opportunities.

This ESG report was prepared in compliance with Appendix C2 – Environmental, Social and Governance Reporting Guide ("ESG Guide") and under the "Comply or Explain" provision as set out in the GEM Listing Rules on The Hong Kong Exchanges and Clearing Limited ("HKEX"). Under the guidance of HKEX's ESG Guide and relevant standards, the Group has strictly followed the requirements and recommended steps to measure, record, evaluate and disclose its ESG performance during the year under review. A complete content index and a linkage table of the Global Reporting Initiative ("GRI") Standards are available at the end of the ESG Report for readers' convenience to check its integrity.

Reporting Scope

This ESG Report adopts the Operational Control Approach as the foundation for setting the reporting boundary. It covers the key environmental and social performance within the operational boundaries of the Group. These boundaries encompass the Group's activities on the transmission and distribution of natural gas, sales of heat and biomass gasification related products, property investment primarily in the People's Republic of China (the "PRC"), and trading of electronic components in Hong Kong. In FY2023, the Group newly included a new subsidiary, Yichang China Primary Natural Gas Utilisation Company Limited (宜昌中基天然氣利用有限公司), which is expected to start operating in 2024, into its reporting scope. For corporate governance section, please refer to the Group's 2023 Annual Report.

Environmental, Social and Governance Report

Reporting Principles

The preparation of this ESG Report strictly conforms to the Reporting Principles set out in the ESG Guide, namely Materiality, Quantitative, Balance and Consistency. Below is a description of where the principles have been applied throughout the ESG Report.

Materiality:

The Group understands the importance of identifying and determining significant ESG issues as well as the associated risks and opportunities. To gather feedback from stakeholders, including their concerns and expectations on the Group's sustainable development, an annual materiality assessment is conducted. The results are reviewed by the Group's Board of Directors (the "Board") and serve as a valuable tool to guide the Group's business development. For further details, please refer to the chapter **STAKEHOLDER ENGAGEMENT**.

Quantitative:

This ESG Report includes quantitative data and Key Performance Indicators ("KPIs") as a numeric presentation of the Group's environmental and social performance. Footnote of each performance table clearly specifies the corresponding calculation methods, assumptions and conversion factors used.

Balance:

To portray a complete picture of the Group's sustainability performance, the Group is fully transparent on its outstanding achievements as well as rooms for improvement.

Consistency:

The Group recognises the importance of adopting a set of consistent methodology and framework that align with previous ESG Reports to its stakeholders. This also allows meaningful comparisons on the Group's sustainability performance. In case of any significant differences from the previous reporting network, corresponding explanation will be made.

Information Disclosure

The information in this ESG Report was gathered through a number of channels, including internal policies of different subsidiaries of the Group, the factual evidence of the implementation of ESG practices in the Group, the feedback from staff via online surveys in the format of quantitative and qualitative questions based on the reporting framework, and the verified statistics of the Group's annual performance in business operations and sustainable development. This ESG Report is prepared in both English and Chinese. Should there be any conflict or inconsistency, the English version shall prevail.

Environmental, Social and Governance Report

III. SUSTAINABILITY GOVERNANCE & STRATEGY

Board Statement

The Group acknowledges its responsibility as a green energy provider to actively pursue pathways leading to a clean energy transformation in support of a sustainable future. It is committed to supporting the nation to achieve its targets of peaking CO_2 emissions by 2030 and achieving carbon neutrality before 2060. To contribute to China's green development objectives, the Group recognises the importance of developing and implementing suitable and effective strategies.

The Group understands that establishing an efficient and robust governance structure is crucial for driving sustainable development. As such, the Group's sustainability governance framework follows a "top-down" management approach (as illustrated in **Sustainability Governance Structure** below), which ensures that the Group's ESG vision and strategy are communicated from the Board to management teams and general staff. Overseeing the Group's ESG issues, the Board has the ultimate responsibility to ensure effective implementation of ESG policies and reporting matters.

The Board takes a proactive approach in evaluating, prioritising and managing material ESG issues through stakeholder engagement and materiality assessment, which will be further discussed in the chapter **STAKEHOLDER ENGAGEMENT**. With the leadership of the Board, the Group's management teams formulate effective policies and control operation procedures that cover various ESG-related areas as a means to implement sustainability strategies.

The management teams, along with third-party ESG consultants engaged by the Group, are responsible for evaluating the effectiveness of the implemented ESG policies. It is done by monitoring the Group's progress towards relevant goals and targets, while taking the results of the materiality assessment into account.

To keep the Board informed of the Group's performance in maintaining a robust ESG mechanism and its overall progress towards relevant objectives, information is summarised and reported to the Board during conference meetings. Regular reports from the management and the Group's annual ESG report provide timely updates to the Board. The Board continues to review the Group's practices and performance, using qualitative descriptions and numeric figures for metrics under environmental impacts, labour practices, operation, and other relevant topics derived from its material assessment. These metrics enable the Group to conduct trend analysis within the broader sustainability context.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to our employees, management team, Board members, as well as our business partners and clients, for their continued support and valuable contributions towards the Group's sustainable development.
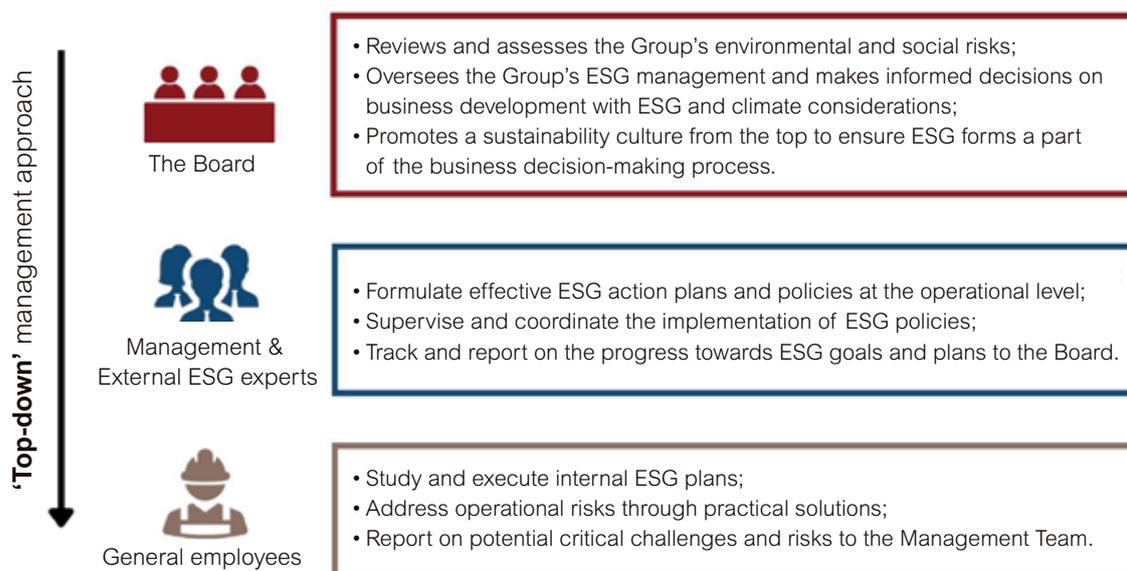
Environmental, Social and Governance Report

Integration of ESG Risk Management

Risk management is a crucial aspect of maintaining stable and resilient business operations for the Group. Recognising the ever-changing needs of its stakeholders and industry trends, the Group regularly reviews and adjusts its sustainability policies while considering material ESG-related risks.

Moreover, to effectively address ESG risks, the Group has established a barrier-free and efficient reporting mechanism. This mechanism enables the Board to identify, assess and respond to the actual and potential ESG risks promptly. It also facilitates necessary adjustments to the annual budget and commercial planning.

As part of its ESG integration plan, the Group is committed to promoting the concept and tools of ESG across all relevant Board committees and functional departments. For more details on the Group's risk management approaches, please refer to section **A.4 Climate Change** in the chapter **ENVIRONMENTAL SUSTAINABILITY**.

Sustainability Governance Structure

'Top-down' management approach

The Board
- Reviews and assesses the Group's environmental and social risks;
- Oversees the Group's ESG management and makes informed decisions on business development with ESG and climate considerations;
- Promotes a sustainability culture from the top to ensure ESG forms a part of the business decision-making process.

Management & External ESG experts
- Formulate effective ESG action plans and policies at the operational level;
- Supervise and coordinate the implementation of ESG policies;
- Track and report on the progress towards ESG goals and plans to the Board.

General employees
- Study and execute internal ESG plans;
- Address operational risks through practical solutions;
- Report on potential critical challenges and risks to the Management Team.

Environmental, Social and Governance Report

IV. STAKEHOLDER ENGAGEMENT

The Group acknowledges the significant importance of stakeholders' concerns and expectations in its ability to create long-term value. Valuing stakeholders' feedback, the Group places a high priority on building and maintaining trusting and supportive relationships with them.

In FY2023, the Group engaged with its stakeholders through various channels and promptly addressed their concerns. The effective management of stakeholder relationships allowed the Group to understand their needs and expectations, thus formulating appropriate actions in response. The table below outlines the expectations of the Group's stakeholders and their preferred communication channels.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Support economic development – Business sustainability – Acceleration of energy restructuring towards clean and renewable energy	– Supervision on the compliance with local laws and regulations – Routine reports and tax paid
Shareholders	– Return on investments and targets achievements – Corporate governance and communication – Policy reviews and performance monitoring	– Regular reports and announcements – Regular general meetings – Official company website
Employees	– Employees' remuneration and benefits – Career development – Implementation of ESG strategies – Health and safety in the workplace	– Performance reviews – Regular training programs – Regular meetings (private meetings or AGMs) – Emails, notice boards, hotline, caring activities with management
Customers	– Production quality assurance – Protect the rights of customers – Qualified products with good performance against environmental indicators	– Customer satisfaction survey – Customer service hotline and email – Face-to-face meetings and onsite visits
Suppliers	– Fair and open procurement – Win-win cooperation – Business ethics – Environmental protection	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and onsite visits – Industry seminars

Environmental, Social and Governance Report

Stakeholders	Expectations and Concerns	Communication Channels
Professional bodies	– Climate change awareness and inputs – Laws and regulations compliance – Implementation of ESG strategies	– Routine reports – Emails, hotline, enquires
General public	– Involvement in community activities – Laws and regulations compliance – Awareness of environmental protection – Promotion of the use of natural gas	– Media conferences and responses to enquiries – Public welfare activities – Regular reports and announcements – Face-to-face interview

Materiality Assessment

The Group recognises ESG risks and opportunities vary across industries and depend on different corporate backgrounds, business models and operational characteristics. Therefore, the Group takes a stepwise approach and conducts an annual materiality assessment to identify, assess and prioritise the material ESG issues.

In FY2023, the Group engaged a third-party agency and invited its key stakeholders to participate in the materiality assessment survey. Key stakeholders, including employees and suppliers, were selected based on their influence and degree of dependence of the Group. They were asked to rate the 28 ESG issues categorised across seven pillars, including environment, employment, supply chain management, product responsibility, anti-corruption, community relations, and leadership and governance.

Through a systematic approach, stakeholders' feedback and ratings on ESG topics are being collected, analysed and prioritised. In FY2023, the Group further enhanced the methodology of the materiality assessment by applying weightings on the ratings of the ESG topics identified in terms of the E, S and G pillars. The results were derived as shown below.

Environmental, Social and Governance Report

Materiality Assessment Outcome	
Areas that are identified to be relatively more important to external stakeholders only • GHG Emissions • Renewable and Clean Energy	**Areas that are identified to be vital** • Energy Management • Water and Wastewater Management • Climate Change Mitigation and Adaptation
Areas that are identified to be relatively insignificant • Green Procurement • Engagement with Suppliers • Supply Chain Resilience	**Areas that are identified to be relatively more important to internal stakeholders only** • Solid Waste Stewardship • Labour Practices • Employee Remuneration and Benefits • Occupational Health and Safety • Employee Development and Training • Environmental and Social Risk Management of Supply Chain • Product/Service Quality and Safety • Customer Privacy and Data Security • Marketing and Promotion • Intellectual Property Rights • Labelling Relating to Products/Services • Business Ethics and Anti-corruption • Internal Grievance Mechanism • Participation in Philanthropy • Cultivation of Local Employment • Support of Local Economic Development • Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities • Management of the Legal and Regulatory Environment (regulation-compliance management) • Critical Incident Risk Responsiveness • Systemic Risk Management (e.g. Financial Crisis)

According to the materiality analysis, "Energy Management", "Water and Wastewater Management", and "Climate Change Mitigation and Adaptation" were being identified as the material ESG topics to the Group. The results were being reviewed and endorsed by the Board. This assessment enables the Group to effectively prioritise material ESG topics, thus facilitating the development of action plans to meet its stakeholders' evolving needs and mitigate the relevant risks.

Environmental, Social and Governance Report

UN Sustainable Development Goals ("SDGs")

In FY2023, the Group maintained its commitment to conducting performance benchmarking on the global SDGs, aiming to utilise this widely recognised framework to guide its business development. Through conducting online surveys with its stakeholders and a thorough analysis of its interconnections with global sustainability issues, the Group gained valuable insights from its stakeholders on their expectations for the Group to advance its efforts in contributing to the SDGs. In particular, these SDGs include Goal 3: Good Health and Well-Being for People, Goal 5: Gender Equality, Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, and Goal 8: Decent Work and Economic Growth.

Stakeholders Feedback

As the Group strives for excellence, the Group highly welcomes stakeholders' feedback especially on topics listed of high importance in the materiality assessment. Readers are also welcomed to share their views with the Group at info@china-penergy.com.

Environmental, Social and Governance Report

V. ENVIRONMENTAL SUSTAINABILITY

The Group is dedicated to maintaining environmental and community sustainability in the areas where it operates. As such, it closely monitors and controls its emissions and resources consumption, while ensuring compliance with relevant laws and regulations in Hong Kong and the PRC in its daily operations. The Group aligns its actions with national goals and plans in relation to energy transition and global climate objectives as a means to contribute to ecological and environmental protection, thus integrating these principles deeply into its operations.

This section primarily discloses the Group's policies, practices and quantitative data on emissions, the use of resources, the environment and natural resources, as well as climate change in FY2023.

A.1. Emissions

During the year under review, the Group complied with relevant environmental laws in its operating regions related to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, and noise that have a significant impact on the Group, including but not limited to:

- Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》); and

- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)

In FY2023, the Group's major emissions were air and GHG emissions, non-hazardous solid waste and wastewater, while no hazardous waste was generated. Similar to FY2022, Scope 2 (Energy Indirect Emissions) dominated the Group's total GHG emissions, while air pollutants emitted mainly consisted of sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particulate matter ("PM").

Environmental, Social and Governance Report

The Group's total emissions are summarised in Table 2 as follow.

Table 2 The Group's Total Emissions by Category in FY2023 and FY2022

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2023	Intensity (Unit/ employee) in FY2023 [1]	Amount in FY2022 [2]	Intensity (Unit/ employee) In FY2022 [2]
Air Emissions [3]	SO_x	kg	0.2	–	0.1	–
	NO_x	kg	10.4	–	5.3	–
	PM	kg	0.8	–	0.4	–
GHG Emissions [4]	Scope 1 (Direct Emissions) [5]	tonnes of CO_2e	623.1	4.1	660.8	4.4
	Scope 2 (Energy Indirect Emissions) [6]	tonnes of CO_2e	7,916.2	52.4	6,096.9 [8]	40.4 [8]
	Scope 3 (Other Indirect Emissions) [7]	tonnes of CO_2e	45.8	0.3	40.1	0.3
	Total (Scope 1 & 2 & 3)	tonnes of CO_2e	8,567.2 [9]	56.7	6,793.1 [8]	45.0 [8]
Non-hazardous Waste	Solid Wastes	kg	352,660.0	2,335.5	195,000.2	1,291.4
	Wastewater [9]	m^3	124,720.8	826.0	115,636.0	765.8

1. Intensity was calculated by dividing the amount of air, GHG and other emissions by the number of employees of the Group in FY2023, which was 151;

2. The amount and intensity for FY2022 were extracted from the Group's FY2022 ESG Report;

3. Air emissions included only the air pollutants in the exhaust gas from vehicles for transportation;

4. The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEX and with reference to the IPCC Emission Factor Database;

5. The Group's Scope 1 (Direct Emissions) included only emission arose from the consumption of gasoline and natural gas for the operation of motor vehicles and other business operations;

6. The Group's Scope 2 (Energy Indirect Emissions) included only the emission arose from the electricity consumption;

7. The Group's Scope 3 (Other Indirect Emissions) included only the emission arose from the paper waste disposed at landfills, electricity used for processing fresh water and sewage by government departments;

8. The FY2022 data has been restated as the Group has aligned the consolidation method for consistency;

9. The Group's total GHG emissions included the carbon offset by 781 trees planted by the Group; and

10. The total amount of wastewater discharged from the Group in FY2023 was based on the assumption that 100% of the consumed fresh water entered the building drainage system.

Environmental, Social and Governance Report

<u>**Management Approach**</u>

<u>Transmission and distribution of the natural gas business</u>

The Group considers the natural gas business segment as a vital component, therefore it places great importance on effectively managing the environmental performance and related impacts of its natural gas transmission and distribution activities. In doing so, the Group strictly adheres to relevant industry standards, such as Ambient Air Quality Standards《環境空氣質量標準》(GB3095-2012), Environmental Quality Standard for Noise 《聲環境質量標準》(GB3096-2008) and Environmental Quality Standards for Surface Water 《地表水環境質量標準》(GB3838-2002), which govern operational practices and emissions performance. The Safety Supervision Department along with other departments are responsible for addressing environment-related issues according to the Group's internal policies.

<u>Sales of heat and biomass gasification related products</u>

Throughout the years, the Group has focused on enhancing the development of biomass-related products as a clean energy solution, thereby enhancing the connectivity of its clean energy infrastructure. In order to effectively manage and evaluate its environmental impact, the Group utilises an online monitoring system to record, measure and assess its performance against established environmental criteria. Using a systematic performance tracking mechanism, the Group sets targets and formulates plans for improvement.

Environmental, Social and Governance Report

Air Emissions and GHG Emissions

In FY2023, the major source of air emissions was the use of vehicles for transportation, while GHG emissions were dominated by Scope 2 emissions from the consumption of electricity. As compared to FY2022, the rise in the Group's total GHG emissions was mainly due to the increase in electricity consumption.

The Group's total GHG emission in FY2023 and FY2022

Tonnes of CO_2e

	FY2023	FY2022
Scope 3	45.8	40.1
Scope 2	7,916.2	6,096.9
Scope 1	623.1	660.8

■ Scope 1　■ Scope 2　■ Scope 3
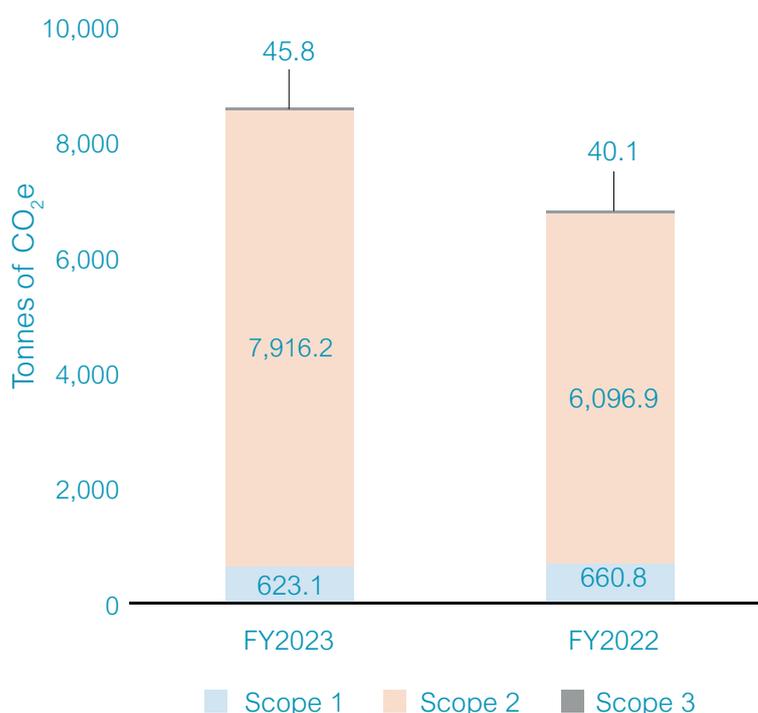
The Group has allocated significant resources to explore cleaner and more sustainable alternatives for powering vehicles and sustaining operations. One of the initiatives involved adopting a cleaner burning method to improve air quality. Meanwhile, the Group places great emphasis on the safe use of Tetrahydrothiophene (THT), which is commonly used as a warning odorant in the natural gas industry in the PRC. As such, the Group ensures strict compliance with applicable regulations in the PRC regarding its operations.

In addition, the Group's sales of heat and biomass gasification related products business segment actively works towards reducing GHG emissions by controlling its products' electricity and water consumption rates. Through gasification of biomass, such as rice husk and straw, the energy stored in these materials can be effectively converted into convenient gaseous fuel. The Group believes that accelerating this process can yield economic and environmental benefits.

Waste

In FY2023, the wastewater and solid waste generated by the Group were mainly domestic sewage and solid waste from daily operations. The Group ensures that wastewater undergoes proper treatment before being discharged into the sewer, while solid waste is collected, sorted and handed over to eligible third parties for recycling. There was a slight increase of 8% in the volume of wastewater produced when compared to FY2022.

The Group's wastewater produced in FY2023 and FY2022

The Group is dedicated to effectively controlling and managing its waste generation by implementing sustainable waste management practices. In line with this commitment, the Group aims to enhance its employees' awareness of environmental stewardship by promoting the importance of waste reduction and adhering to national policies on rubbish sorting, waste recycling and the National Water-Saving Action Plan (國家節約用水行動方案).

The Group's sales of heat and biomass gasification related products business segment has implemented several measures to minimise waste, such as reutilising carbonised material produced after the gasification of rice husk. Additionally, it measures the water consumption for production use and domestic use separately in order to reduce heat loss and unnecessary water usage. Furthermore, industrial wastewater produced undergoes desulphurisation treatment and can be reused for other means.

Given that the amount of wastewater discharged highly depends on the amount of water used, the Group has put a series of water conservation initiatives into practice and will be discussed in **A.2. Use of Resources**.

Environmental, Social and Governance Report

A.2. Use of Resources

In FY2023, the primary resources consumed by the Group were electricity, gasoline, natural gas, water and paper. Given its business nature, the Group did not use any packaging material during the year under review.

The Group complied with relevant laws and regulations on its use of resources, including but not limited to:

- Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》); and

- Provisions on the Management of Water Conservation in Cities (《城市節約用水管理規定》).

Management Approach

The Group remains committed to enhancing the monitoring, measurement and evaluation of its energy and water usage to ensure efficient resource management. Meanwhile, in its dedication to minimising potential negative environmental impacts, the Group actively seeks alternatives and utilises innovative technologies, in additional to the application of the "3R Principles". The following table illustrates the amount of resources consumed by the Group in FY2023.

Environmental, Social and Governance Report

Table 3 The Group's Total Use of Resources by Category in FY2023 and FY2022

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2023	Intensity (Unit/employee) in FY2023 [1]	Amount in FY2022 [2]	Intensity (Unit/employee) in FY2022 [2]
Energy	Electricity	MWh	12,981.2	86.0	10,499.3 [3]	69.5 [3]
	Gasoline	L	14,285.0	94.6	7,863.0	52.1
	Diesel	L	12,868.2	85.2	14,240.0	94.3
	Natural gas	m³	291,738.0	1,932.0	320,100.0	2,119.9
	TOTAL	**MWh**	**16,417.8**	**108.7**	**14,195.7 [3]**	**94.0 [3]**
Water	Water [4]	m³	124,720.8	826.0	115,636.0	765.8
Paper	Paper	kg	732.5	4.9	535.0	3.5
Raw Materials	Paper	tonnes	–	–	0.5	0.003
	Rice husk	tonnes	–	–	28,191	186.7

1. Intensity was calculated by dividing the amount of resources by the Group's number of employees in FY2023, which was 151;

2. The amount and intensity for FY2022 were extracted from the Group's FY2022 ESG Report;

3. The FY2022 data has been restated as the Group has aligned the consolidation method for consistency; and

4. The water consumption excluded the Hong Kong office of the Group in both FY2023 and FY2022 as the water bills were covered in the property management fees and regarded immaterial relative to the amount of water use for production.

Environmental, Social and Governance Report

Electricity

In FY2023, the Group's electricity consumption increased by 24% mainly due to the full resumption of its natural gas business and the growth of its property investment business.

In its daily operations, the Group has implemented the following practices to improve its electricity usage efficiency:

- Switch off idle lights and air-conditioning;

- Remind employees of energy conservation by placing "Saving Electricity, turn off the Light when Leaving" posters in prominent places;

- Conduct regular maintenance on electrical appliances (such as refrigerator, air-conditioner and paper shredder) on a regular basis;

- Prioritise electrical appliances with certified energy-saving labels;

- Use natural gas as fuels for canteen operations;

- Include electricity bills of office operations in annual budget management; and

- Prohibit heating equipment and other electricity guzzling appliances in the office.

In addition, variable frequency equipment has been installed at production factories to improve the electricity use efficiency.

Other Energy Resources

In FY2023, the Group consumed other energy resources including gasoline and natural gas. The consumption of natural gas slightly decreased by 9%.

The Group's total natural gas consumption in FY2023 and FY2022

To reduce the fuel consumed for transportation, the Group has implemented the following practices:

- Ensure regular maintenance of vehicles to promote fuel conservation and emission control;

- Adopt vehicle sharing for business travel when appropriate; and

- Promote the use of public transportation among staff as an alternative to driving to work.

Environmental, Social and Governance Report

Water

The Group strives to fully utilises water resources in order to minimise unwanted water loss. Although there was a slight increase of water consumption by 8% in FY2023, the Group is determined to control its water usage by implementing water conservation measures at its daily operations.

The Group's total water consumption in FY2023 and FY2022
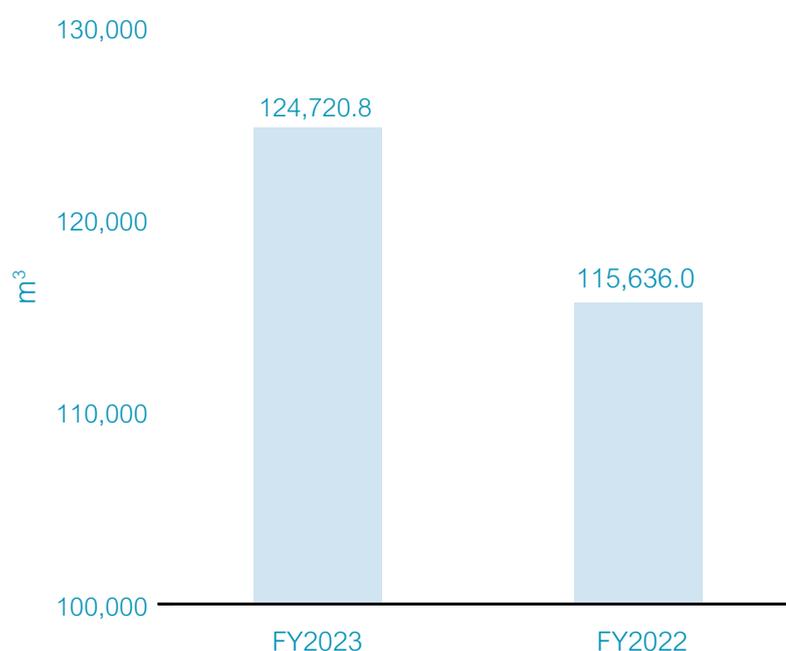
To enhance water utilisation efficiency, the Group has taken the following initiatives:

- Reuse the circulating cooling water for heating water and domestic water;

- Place "Saving Water Resource" posters in prominent places to promote water conservation;

- Conduct regular tests to identify and address leaks in water taps, washers and other components of the water supply system;

- Incorporate water bills of office operations into the annual budget management;

- Adjust the flow rate of water taps; and

- Fix dripping taps promptly.

During the year under review, the Group did not face any problems in sourcing water.

Environmental, Social and Governance Report

Paper

The Group is committed to promoting a paperless working environment which aligns with the principles of "Circular Economy". As such, the Group reduces, reuses and recycles paper products throughout its operations. In addition to paper recycling, employees are encouraged to utilise digital formats for storing and reviewing documents.

Meanwhile, the Group has also implemented the following practices in daily operations to reduce paper consumption:

• Place paper tray beside printers to collect and recycle used single-sided paper;

• Print documents using recycled paper;

• Post "Think Before Print" reminders to encourage staff to avoid unnecessary printing;

• Publish information through email or electronic bulletin boards; and

• Encourage customers to use electronic invoice

In addition, the Group recycled 10 kg of paper in response to the paperless office concept.

The Group's total paper consumption in FY2023 and FY2022
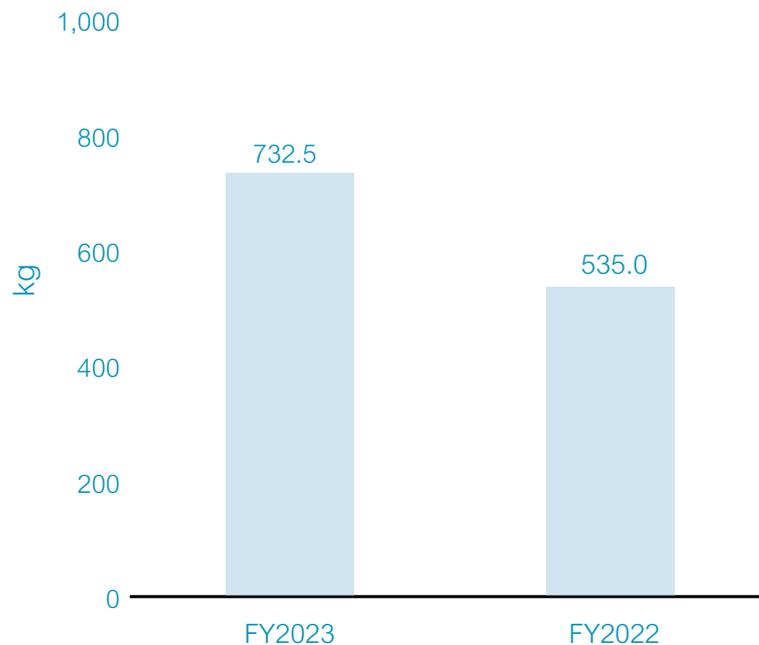
Environmental, Social and Governance Report

A.3. The Environment and Natural Resources

Recognising the significance of utilising renewable energy resources for generating clean power, the Group places great importance on this matter as a member of the energy sector. With vast experience in the natural gas business and recent ventures into biomass gasification, the Group is committed to contributing to a sustainable world. As such, it has established well-defined KPIs to monitor and evaluate its environmental impact continuously.

In FY2023, the Group continued its effort on controlling its emission and consumption of natural resources. In particular, the Group's Scope 1 GHG emissions dropped by 6% following a 10% decrease in its diesel consumption and a 9% decrease in its natural gas consumption. The Group recognises the importance of transitioning to greener options and has focused on developing biomass gasification heating, which is a modern sustainable alternative. It enables the Group to provide a cleaner and more sustainable heating alternative to the public, thus contributing to the establishment of a low-carbon development model for the country.

Meanwhile, to address potential negative impacts, the Group understands the significance of implementing adequate and effective precautionary measures. For instance, the Group has installed an atmospheric online monitoring system to ensure that the quality of emitted fumes complies with local standards.

The Group places significant emphasis on improving energy efficiency as one of its key strategic objectives for enhancing environmental sustainability. It actively records and measures energy and water consumption during production to monitor the progress towards the environmental targets. In FY2023, with the effective implementation of various measures, the Group did not impose any significant environmental impacts. Still, to further drive efficiency in operations and encourage innovation, the Group has established the targets listed in the table below. By setting these targets, the Group aims to motivate its staff to contribute to achieving environmental sustainability goals and facilitate the transition towards a low-carbon business model.

Environmental, Social and Governance Report

<u>**Targets and Actions**</u>

Aspect	Target	Action
Air and GHG Emissions	Setting FY2021 as the baseline year, the Group aims to reduce its overall GHG emissions (Scopes 1 and 2) by 22.5% by 2030	The Group remains dedicated to embracing electrification as a means to advance sustainable energy solutions and promote cost-effective and low-carbon technologies for transportation and operations
Waste	Setting FY2023 as the baseline year, the Group aims to maintain its waste intensity fluctuation at 5% above or below	The Group continues to implement its sustainable waste management practices to control and manage its waste generation
Electricity	Setting FY2023 as the baseline year, the Group aims to maintain its electricity consumption per product at the same level	The Group continues to operate under the principle of "Rationally Using and Saving Electricity" and embed it into its business strategy
Other Energy Resources	Setting FY2023 as the baseline year, the Group aims to maintain its gasoline consumption at the same level	The Group is dedicated to reducing gasoline consumption by formulating travel plans for transportation. Moreover, the Group further explores innovative solutions and the application of environmentally friendly technologies into its business operations in the long run
Water and Wastewater	Setting FY2023 as the baseline year, the Group aims to maintain the production water loss rate within 10%	The Group continues to educate its staff on water conservation

Environmental, Social and Governance Report

A.4. Climate Change

With years of experience in clean energy exploration, promotion and application, the Group recognises the importance of addressing climate-related risks and opportunities that could affect its daily operations. In line with the global climate targets that have emerged from the urgent concern over climate change, the Group has referred to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and identified several risks and opportunities arising from climate change.

Governance

The Group manages its climate-related risks by developing handbooks, guidelines and manuals stating the standardised procedures. Meanwhile, the Senior Management is responsible for overseeing the climate-related risks. In assessing and managing climate-related risks, the management plays an important role in coordinating and communicating between departments, while maintaining effective management systems for environmental and financial data.

In case of any relevant issues identified at operational level, the management has to report to the Board immediately. If no incidents have been reported, the Board will receive information on climate-related risks on an annual basis. Furthermore, the Board and its committees receive information updates on climate-related issues through regular meetings. By reviewing ESG performance through summaries and calculations in ESG Reports, the Board and its committees are also tasked with overseeing the setting of the targets related to significant climate-related risks, while monitoring and reviewing progress towards those targets.

Overseeing the Group's operations, the Board monitors and reviews the effectiveness of the management approach, including a review of metrics, targets and action plans. In order to ensure that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks, the Board engages with external consultant to receive updates on relevant standards and participates in trainings organised by professional organisations from time to time.

Environmental, Social and Governance Report

Risk Management

Over the years, the Group has conducted its risk assessment from a holistic perspective to identify and evaluate climate-related risks. The following climate-related risks and opportunities have been identified as ones which may impact the Group's business operations.

Risk		Potential Impact
Physical Risk	• Rising sea level and mean temperature due to global warming	It may affect the stability of the Group's existing assets, thus causing write-offs and early retirement. The rising mean temperature could influence the stability of the Group's supply chain management in particular.
Transition Risk	• Enhanced emissions-reporting obligations • Increased pricing of GHG emissions	Compliance and operating costs are expected to rise in response to the rippled effect brought by stricter regulations.

Opportunity	Potential Impact
Embarking upon and scaling up the efforts on the exploration of renewable energy sources, such as the biomass gasification opportunities in business development.	Benefit the Group by enhancing its image and promoting sustainable development through renewable energy at the same time.

To monitor and manage climate-related risks, the Group continues to identify and assess those risks that are specific to its operations and value chains. In the long run, the Group will provide training to enhance employees' awareness and understanding as a means to integrate climate-related risk monitoring and management into its overall risk management.

Strategy

The Group recognises the importance of reducing its carbon intensity to mitigate potential climate-related risks. With this in mind, the Group has implemented the following practices to address and adapt to the underlying implications of climate change on its business:

• Keep abreast of the latest developments in science-based climate risk assessment standards and disclosure frameworks, including the TCFD Recommendations and the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures;

Environmental, Social and Governance Report

- Deepen employees' understanding of climate science through trainings and workshops; and

- Benchmark and align strategies and operating measures with global best practices to enhance energy efficiencies in operations.

Furthermore, the Group has started on the review and enhancement of its strategic planning on climate-related issues during the year. The time frames for the Group's climate-related risks and opportunities have been defined as 1 year for short term, 3 years for medium term, and 10 years for long term. Regarding the identified risks aforementioned, including rising sea levels and mean temperatures, and increased pricing of GHG emissions, they have been indicated as medium-term risks.

As the Group's review on its climate-related strategy is still at a beginning stage, it has yet to identify any climate-related opportunities or further anticipated effects. Still, the Group has considered future climate patterns as an area of uncertainty in its climate resilience analysis. As a result, the Group will provide relevant trainings to its employees to raise their awareness while exploring green financing opportunities as means to adjust its business model in terms of human resources and financial resources respectively.

Although the Group has not yet quantified the impacts of its identified climate-related risks, nor is it ready to design specific climate transition plans, it has made a preliminary qualitative estimation of how its financial performance, financial position, and cash flow will be affected by these risks. It has also taken into consideration the funds required to pursue its committed plans, and planned sources of funding to implement strategy to address significant climate-related risks. These actions demonstrate the Group's good intention and commitment to early adoption and alignment with forthcoming enhanced climate-related disclosures. Based on its initial analysis, the Group anticipates that its financial performance, financial position, and cash flow will be negatively affected by the aforementioned effects.

While the risks may not cause a potential material adjustment to the Group's assets and liabilities, it is expected that its revenue will decrease in the short term in consideration with its strategy to address significant climate-related risks and opportunities. However, as the Group strives to refine its strategy while incorporating latest developments and results of analysis, its revenue is expected to increase over the medium and long term.

Environmental, Social and Governance Report

VI. SOCIAL SUSTAINABILITY

B.1. Employment

The Group recognises the significance of effective employee management and is dedicated to treating all employees equally and with respect, thus it values their opinions and strives to address their needs and concerns. With the goal of creating and maintaining a comfortable and appealing workplace, the Group is committed to providing sustainable career development opportunities to all employees and growing with its employees together. In its employee management practices, the Group adheres to the principle of "paying respect to the dedicated, utilising the competent, fostering the aspired and incentivising the innovative".

In FY2023, the Group had a total of 151 employees (including 4 part-time workers and 147 full-time employees). For details on the Group's employees distribution, please refer to the table below.

Table 4 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographical Locations of The Group in FY2023 [1]

Unit: Number of employees	Age group				
Gender	30 or below	Between 31 and 40	Between 41 and 50	51 or above	Total
Male	11	28	25	31	95
Female	6	14	18	18	56
Total	17	42	43	49	151

Environmental, Social and Governance Report

Unit: Number of employees	Position			
Gender	General staff	Middle management	Senior management and directors	Total
Male	61	19	15	95
Female	40	11	5	56
Total	101	30	20	151

Employment type		
Full time	Part time	Total
147	4	151

Geographical location	
Locations	Number of employees
PRC	148
Hong Kong	3
Total	151

1. The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

Environmental, Social and Governance Report

Law compliance

The Group regularly updates and adjusts its employment policies to ensure alignment with relevant laws and regulations in the PRC and Hong Kong. In FY2023, the Group complied with the relevant laws and regulations, including but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);

- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong);

- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);

- Labour Law of the People's Republic of China (《中華人民共和國勞動法》); and

- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

Management approach

The Group's Human Resources Department has the responsibility of regularly reviewing and updating relevant company policies in accordance with the latest laws and regulations. The Group has developed a list of fundamental strategies to manage its employment system strictly and effectively, these strategies include:

- Provide equal recruitment and promotion opportunities to employees;

- Adopt both forms of internal and external recruitment for vacant positions; and

- Consider multiple essential criteria, such as work performance, when promoting employees.

To support the management of its employment system, the Group has implemented various employment policies and mechanisms, including the Human Resources Management System (人力資源管理制度), Labour Contract Renewal Management System (勞動合同續簽管理制度), Comprehensive Management System (綜合管理制度) and Employee Handbook.

Environmental, Social and Governance Report

Recruitment and promotion

The Group is committed to promoting gender equality throughout its recruitment and promotion processes. In its "Yearly Recruitment Plan", the Group manages its recruitment activities, aiming to attract high-calibre candidates. During the recruitment process, the Group offers fair and competitive remuneration and benefits based on various factors, including individuals' performance, personal attributes, job experiences, career aspiration and market benchmarks.

The General Department (綜合部) is responsible for reporting the interview results to the general manager for approval. Afterwards, the strict recruitment and entry procedures are followed, and newly employed staff are required to complete the "Employee Enrolment Registration Form" (員工入職登記表).

For promotions, the Group considers employees who have demonstrated outstanding performance and made significant contributions to the Group as eligible candidates for promotion. It refers to market benchmarks to ensure that promotion opportunities are provided equitable and based on objective criteria.

Compensation and dismissal

The Group regularly reviews its compensation packages and conducts performance appraisal to ensure that employees are fairly rewarded for their contributions. Moreover, the Group adjusts the salary packages on an annual basis and takes into account various factors, including the overall market level, inflation rate and its profitability.

The Group strictly prohibits any kind of unfair or illegitimate dismissals. For employees with poor performance, the Group initiates a progressive disciplinary process by first giving a verbal warning, before issuing a warning letter. For those who consistently fails to improve or repeats the same mistakes despite previous warnings, the Group dismisses the employee in accordance with its internal policies.

Environmental, Social and Governance Report

Table 5 Employee Turnover Rate by Age Group, Gender and Geographical Locations in FY2023 [1]

Unit: Number of employees	Age group				
Gender	30 or below	Between 31 and 40	Between 41 and 50	51 or above	Total
Male	2	1	1	3	7
Employee turnover rate	18.2%	3.6%	4.0%	9.7%	7.4%
Female	0	1	1	0	2
Employee turnover rate	0.0%	7.1%	5.6%	0.0%	3.6%
Total	2	2	2	3	9
Total employee turnover rate	11.8%	4.8%	4.7%	6.1%	6.0%

Geographical locations		
Locations	Employee turnover	Employee turnover rate
PRC	7	4.7%
Hong Kong	2	66.7%
Total	9	6.0%

[1]. The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2023 by the number of employees in FY2023. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

Working hours and rest period

The Group has established policies regarding working time and annual leave that apply to all employees. To monitor and manage working hours, the Group utilises a punch-in system which helps track employee attendance and ensures adherence to prescribed working hours in accordance with relevant laws and regulations. In cases where employees work beyond their regular hours, the Group compensates them for overtime work. In addition to statutory holidays, employees can also enjoy special leaves including maternal leave, medical leave and bereavement leave.

Environmental, Social and Governance Report

Equal-opportunity and anti-discrimination

The Group has zero tolerance to any workplace discrimination, harassment or victimisation. As such, it has developed and implemented an equal opportunities policy adhering to relevant laws and regulations, including but not limited to:

- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong); and

- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong).

The Group is dedicated to fostering a working environment that is fair, respectful and diverse. As an equal opportunity employer, the Group ensures that considerations of anti-discrimination and equal opportunities are integral to its human resources and employment decisions. Moreover, training and promotion opportunities, dismissals and retirement policies are determined irrespective of employees' gender, race, age, disability, family status, marital status, sexual orientation, religion beliefs, nationality or any other non-job-related factors across all business units.

Furthermore, the Group promotes positive relationships and open communication by encouraging candid communications and cooperation between general and managerial staff. The Administration Department and the Trade Union Committee play a crucial role in facilitating employee relations and internal dialogues. They are responsible for providing assistance to all staff members in improving job satisfaction, ensuring labour security, offering counselling services and handling grievances. In addition, to demonstrate its commitment to create a working environment that treats every employee fairly, the Group engages with its employees through written or face-to-face surveys, which allow employees to provide feedback on their experiences. The Group recognises the opinions and suggestions from its employees are highly valuable, thus they will be considered during decision-making processes related to the operation and management of the organisation.

Other benefits and welfare

In FY2023, the Group organised and arranged various events for its employees, such as team building activities, book reading and sharing sessions, and photo taking competition. Other than activities, the Group also offers benefits including medical and catering subsidies, special holiday leaves and physical examinations. For employees working in factories, the Group provides well-equipped dormitories to them as well.

During the year under review, the Group complied with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

Law compliance

The Group places high importance in protecting its employees' wellbeing and minimising their exposure to occupational health and safety risks. To maintain a stable working environment, the Group has implemented a series of internal policies relating to occupational health and safety, while ensure that these policies align with relevant national and local regulations.

In FY2023, the Group complied with laws and regulations relating to the workplace health and safety in its operating regions, namely:

- Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong);

- Law of the People's Republic of China on the Protection of Production Safety (《中華人民共和國安全生產法》); and

- Regulation on Work-Related Injury Insurance (《工傷保險條例》).

Management approach

The Group has established a sound mechanism and implemented effective policies regulating safety and labour practices in order to minimise the risks of workplace accidents and enhance employees' health and safety awareness. The policies are designed in alignment with relevant standards, including GB/T29639-2013, GBZ 1-2010, GB12011-2009 and GB2811-2007. Moreover, to maintain a safe working environment, the Group's internal policies and guidelines, such as the Fire Safety Management System (消防安全管理制度), Engineering Safety Management System (工程安全管理制度), Quality Management Manual (質量管理手冊), Accident Contingency Plan and Regular Drill Management System (事故應急預案及定期演練管理制度) and Production Safety Emergency Plan (《生產安全事故應急預案》) have been set up as well.

The General Manager Office takes on the responsibility of overseeing and supervising the implementation of internal health and safety policies, collaborating with other departments under the accountability system. For instance, the fire safety manager conducts regular fire safety meetings which require the participation of second-level responsible persons, managers and heads of functional departments. Meanwhile, local authorities including the Administration for Market Regulation and Economic Development Zone Management Committee supervise and regulate the Group's implementation and performance on its safety control measures, such as the operation and maintenance of pressure vessels.

Environmental, Social and Governance Report

Furthermore, the Group has implemented a series of management measures on occupational health and safety risks during operations, including:

➢ Provide employees with suitable personal protective equipment, including helmets, safety shoes, anti-freezing gloves and cotton anti-static gloves;

➢ Conduct regular maintenance on installed fire equipment such as automatic smoke spray system and powder fire extinguishers;

➢ Implement an emergency management system with clear allocation of responsibilities and outline of procedures for handling any emergency. For example, to monitor the parameters at all sites continuously, the robust combustible gas leakage detection and alarm system was strictly designed according to the GB 50028 standard;

➢ Arrange annual emergency fire drills and set safety signs to enhance employees' safety awareness;

➢ Place medicine boxes in accessible places; and

➢ Provide employment injury insurance for its employees.

Table 6 Number of work-related fatalities and lost days due to work injury of the Group in the past three financial years [1]

Year	FY2023	FY2022	FY2021
Number of work-related fatalities	0	0	0
Lost days due to work injury	0	0	0

[1]. The information about injury and fatality was obtained from the Group's Human Resources Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

During the year under review, the Group complied with the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

Environmental, Social and Governance Report

B.3. Development and Training

Management Approach

The Group places a strong emphasis on improving the knowledge and skills of employees, enabling them to be competent in their respective roles and fostering a culture of innovation. As such, the Group has adopted a multipronged approach to talent development that aligns with its business needs, while providing opportunities for all employees to meet their professional goals.

The General Department of the Group takes the responsibility for designing and organising training programmes, formulating annual training plans and coordinating with various departments to implement training and examinations on a monthly basis. Moreover, a series of internal policies, such as the Employee Training Management Measures (員工培訓管理辦法), have been implemented to efficiently manage employee development and trainings. These policies provide guidelines and procedures for training programme categorisation, audience selection, training procedures and budget management. By establishing clear guidelines, the Group ensures that the training programmes are aligned with the principles of "Enterprise-Oriented, Market-Oriented and Era-Oriented" (面向企業、面向市場、面向時代).

All newly hired employees will be provided with comprehensive on-the-job training, which aims to familiarise them with the company's corporate culture, business processes, health and safety policies, vehicle management procedures and corporate development history. The Group also offers various training programmes to further develop the skills and competencies of experienced employees. Meanwhile, the Group encourages its employees to strengthen their competitiveness and expand their capacity through life-long learning by participating in external training programmes that support their professional goals and development needs. For employees who have attained professional titles that align with their job positions, the Group will provide them with subsidies as well.

In FY2023, the Group arranged various training programmes regarding health and safety, and operational measures for its employees. In particular, dangerous goods drivers at the Group's natural gas distribution business are required to attend monthly training courses and pass the assessment before getting approval for work.

Environmental, Social and Governance Report

Table 7 Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2023 [1]

Unit: Number of employees	Position			
Gender	General staff	Middle management	Senior management and directors	Total
Male	32	6	3	41
% of employees trained	53.3%	10.0%	5.0%	68.3%
Female	15	2	2	19
% of employees trained	25.0%	3.3%	3.3%	31.7%
Total	47	8	5	
% of employees trained	78.3%	13.3%	8.3%	

Total number of employees	151
Total number of employees trained	60
Total percentage of employees trained	39.7%

[1]. The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2023. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

Table 8 Training Hours Received by the Employees of the Group by Gender and Position Type in FY2023 [1]

Unit: Training Hours	Position			
Gender	General staff	Middle management	Senior management and directors	Total
Male	652	21	22	695
Average training hours	10.7	1.1	1.5	7.3
Female	136	2	2	140
Average training hours	3.4	0.2	0.4	2.5
Total	788	23	24	835
Average training hours	7.8	0.8	1.2	5.5

[1]. The training information was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by HKEX.

B.4. Labour Standards

Adhering to the principles of "System Regulation and Contract Regulation" (制度監管與合同監管), the Group complied with relevant laws and regulations in relation to the prevention of child and forced labour that have a significant impact on the Group in FY2023, including but not limited to:

• Employment Ordinance (Cap. 57 of the Laws of Hong Kong);

• Labour Law of the People's Republic of China (《中華人民共和國勞動法》); and

• Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

The Group is committed to combating illegal employment practices such as child labour, underage workers and forced labour. As such, the Human Resources Department requires all applicants to provide valid identification documents, including identity card and household register (if applicable), along with their resumes, prior to the confirmation of employment. This requirement aims to verify that all candidates are over 18 years old and legally eligible for employment.

The Human Resources Department is responsible for monitoring and ensuring compliance with the latest laws and regulations that prohibit child labour and forced labour. Meanwhile, the Group regularly reviews the human resources policies to ensure they align with applicable labour standards. In addition, it has established a reporting mechanism to monitor and enforce compliance with relevant laws and regulations. Furthermore, the Group conducts an annual onsite inspection of its administration and personnel, in which compensation and employment risks from the previous year will be identified and evaluated. If any practices are found to be in violation of relevant labour laws, regulations or standards, the respective employment contracts will be immediately terminated.

Environmental, Social and Governance Report

B.5. Supply Chain Management

The Group recognises the importance of considering the environmental and social risks that might arise from its supply chain to establish and uphold a sustainable and reliable value chain. Demonstrating its commitment to social responsibility, all operating subsidiaries of the Group undertake strict monitoring, thorough evaluation and effective management of their suppliers to ensure a resilient and secure supply chain.

In FY2023, there were a total 71 critical suppliers for the Group which were all located in the PRC.

Management Approach

The Group's Supplier Evaluation Criteria (供方評定準則) provides guidance on comprehensive evaluations and comparisons for supplier selection. The following are the major elements that the Group considers when assessing and prioritising the candidate suppliers:

- Quality of goods and services;

- Business license and previous track record(s);

- Market reputation;

- Quality management system;

- Production capacity;

- Technical parameters;

- Delivery time;

- Financial performance; and

- Fulfilment of social and environmental responsibilities.

The Procurement Department is responsible for coordinating, managing, and monitoring supply-side issues. Committed to working with suppliers who respect and preserve the environment, the Group aims to minimise the underlying environmental and social risks by applying a list of criteria such as quality, price, punctuality and environmental regulation compliance during selection and collaboration with suppliers.

Environmental, Social and Governance Report

Moreover, the Group has also established the Measures for the Environmental Impacts of the Party (對相關方施加環境影響的管理辦法) for assessing, reviewing and managing its suppliers' practices. The Group will not partner with suppliers who have violated relevant environmental regulations in the past or may potentially cause detrimental environmental impacts during their operations.

To ensure all suppliers adhere to local laws, regulations and corporate ethics, the Group establishes and maintains a sound relationship with them through the internet, phone calls and other channels of communication. In FY2023, 89% of the suppliers were supervised under the Group's supply chain management policies.

Transmission and distribution of the natural gas business

Liquefied natural gas ("LNG") serves as the primary raw material for the Group's natural gas business. To ensure a reliable supply, the Group enters into long-term gas supply contracts and yearly supplemental agreements with selected gas suppliers, which are chosen based on their proven production capability and business reputation.

With the responsibility of sourcing LNG from upstream suppliers, including state-owned enterprises, the Group oversees the distribution of products to customers for various purposes, such as industrial, commercial and household. To maintain safety and operational efficiency, the Group has implemented Safety Plans and Emergency Plans. Furthermore, it maintains regular and stable communications with its suppliers to ensure the quality of LNG meets the GB17820 national standard. The Group closely audits the qualifications of its suppliers against well-defined criteria in order to manage the social and environment risks in its supply chain. Selected suppliers are required to provide a monthly "Natural Gas Quality Inspection Report" to the Group to prove that its operating practices and product quality align with national and local standards.

Sales of heat and biomass gasification related products

This business segment focuses on central heating projects in parks, utilising biomass gasification technology with rice husk as the primary raw material for production. The steam generated will be transported through the pipelines to heat-using enterprises, while the carbonised rice husks will be transported by freight trucks to the steel mill for heat preservation of molten steel.

In the selection of raw materials, particularly rice husk, the Group places high importance on factors such as moisture content and integrity. To minimise potential social and environmental risks, the Group prioritises sourcing rice husk from large-scale and reputable rice processing factories. This helps ensure the quality and reliability of the raw material supply.

Meanwhile, the Group maintains close communication with the rice processing factories through face-to-face meetings and phone calls. Adhering to the principles of "Openness, Fairness, Impartiality and Trustworthiness" and the requirements of the Raw Material Procurement Management System (原材料採購管理制度), the Group conducts quality check on the rice husks produced and supplied by rice processing plants on an annual basis.

Moreover, the Group has implemented a Green Procurement Policy to promote environmentally friendly practices throughout its value chain. As part of this policy, the Group investigates the environmental impacts and production process of the rice processing factories. In FY2023, 5 of the Group's key suppliers were being covered by its Green Procurement Policy. All aspects from raw material procurement, transportation, use, production and sales are under the strict assessment and supervision of the Group's various departments.

B.6. Product Responsibility

Law compliance

The Group adopts a proactive approach to maintain a high level of reliability and robustness of its products and services, thus it continuously improves its facilities, personnel and management processes. In FY2023, the Group complied with relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group, including but not limited to:

• Law of the People's Republic of China on Product Quality (《中華人民共和國產品質量法》);

• Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》);

• Law of the People's Republic of China on Road Traffic Safety《中國人民共和國道路交通安全法》;

• Law of the People's Republic of China on the Protection of Production Safety (《中華人民共和國安全生產法》);

• Regulations on the Safety Administration of Dangerous Chemicals (《危險化學品安全管理條例》); and

• Natural Gas GB 17820-2018 (《天然氣》).

Environmental, Social and Governance Report

Management Approach

The Group has implemented a series of internal policies, including the Operation Department Management Regulation (運營部管理規定), Engineering Management System (工程管理制度) and Quality Management Manual (質量管理手冊), in order to ensure its products and service responsibilities can be fulfilled.

Product quality

Customer satisfaction is highly valued by the Group. The Sales Department is responsible for collecting customers' opinions on product quality, pricing and delivery services. This enables the Group to monitor the satisfaction rate of its customers. In the event of receiving a low score in the customer satisfaction surveys, the Group takes immediate action by initiating a comprehensive investigation. Following the investigation, the Group implements corrective measures to address any identified issues and establishes precautionary policies based on the requirements outlined in the Improvement Control Procedures (改進控制程序).

During the year under review, no products are subjected to recalls for safety and health reasons. In view of its business nature and the principle of materiality, the Group considers product recall procedures are not applicable to its operations, therefore are not disclosed in this ESG Report.

Complaints

The Group pays high attention to client feedback which is diligently reported to the head office for examination and verification. Once complaints are substantiated, they will be forwarded to the respective departments based on the nature of the feedback. Immediate corrective actions will then be initiated to address the issue raised. Meanwhile, the processing results are shared openly with all employees and the Group ensures timely communication with its clients.

In FY2023, the Group did not receive any complaint regarding product quality.

Advertising

The Group recognises the significance of providing accurate marketing materials to both its clients and the general public. To ensure compliance with relevant laws and regulations, the Group has implemented a set of internal procedures. These procedures strictly prohibit any form of misrepresentation or exaggeration of its products. The General Department has the responsibility for monitoring and verifying the legitimacy, completeness and accuracy of sales and marketing materials before publication. If any inconsistencies or deviations from the Group's policies are identified, corrective actions will be promptly taken.

Environmental, Social and Governance Report

Privacy matters

In adherence to local privacy laws and regulations, such as the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Group operates within the framework of its internal policies to protect the rights of its customers. These policies include the Customer Property Control Procedures (顧客財產控制程式) and File Management Regulation (檔案管理規定), which are implemented and monitored by the Financial Controller.

The Group ensures that all personal data collected will only be used for the purposes defined. To uphold confidentiality and protect customer information, all employees are required to comply with the regulations and strictly prohibited from disclosing any confidential information to external parties without customers' authorisation. All relevant employees are obliged to enter into a non-disclosure agreement which serves as an additional layer of protection to prevent unauthorised disclosure of confidential information pertaining to the Group's clients.

Intellectual property rights

In FY2023, the Group complied with relevant laws and regulations in relation to intellectual property rights, including but not limited to:

• Patent Law of the People's Republic of China (《中華人民共和國專利法》);

• Trademark Law of the People's Republic of China (《中華人民共和國商標法》); and

• Patents Ordinance (Chapter 514 of the Laws of Hong Kong).

Adhering to the principle of materiality, labelling is considered not material or applicable to the Group in consideration of its business nature, thus it will not be discussed in the ESG Report.

Transmission and distribution of the natural gas business

The Group strictly complied with regulations such as the Regulation on the Administration of Urban Gas (城鎮燃氣管理條例) and Standard for Construction of City Gas Station (城市燃氣場站建設規範) during its operations. Guided by its service principle of "Safety has no end, Unremitting efforts in Prevention" (安全沒有終點，防範常抓不懈), the Group has implemented the Safety Operation Management Policy (安全運營部管理制度) to ensure the assessment and management of gas safety operations.

Various measures are taken to ensure gas safety throughout operations, including the implementation of the station gas supply maintenance system, incident and hidden danger management, combustible gas leakage alarm management system and operational procedures for station workers and gas supply equipment. Furthermore, regular comprehensive safety inspections (綜合性安全檢查), such as indoor safety checks and comprehensive emergency rescue drills, are conducted to proactively identify and address potential risks related to gas safety. Semi-annual anti-static testing and pressure safety testing are performed on station facilities.

Moreover, to ensure the safety and stability of gas delivery, the Group has established a 24-hour monitoring system and professional teams dedicated to inspecting pipe network stability, preventing leakages and addressing any system breakdowns. The Group believes that it is crucial to maintain communication with upstream suppliers to carry out regular inspections of pipelines, patrol systems and equipment maintenance in order to safeguard the safety and quality of gas supplied to customers.

Sales of heat and biomass gasification related products

Steam generation and transportation is one of the major operations within the Group's business segment. The Group's foundation for quality management is built upon the principle of "Understanding Users' True Needs and Providing High-Quality Products and Services". Through the establishment of a "Steam Supply Contract", the Group collaborates with its clients and ensures mutual agreement on confidentiality requirements. Meanwhile, to facilitate effective communication and administration, the Group has designated line patrol personnel who are responsible for engaging with the client's production department and overseeing the parameters of steam supply and usage.

B.7. Anti-corruption

Law Compliance

To maintain a fair, ethical and efficient working environment, the Group strictly abides by the laws and regulations relating to anti-corruption and bribery in its operating regions, including:

- Anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法);

- Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法);

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong); and

- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

Environmental, Social and Governance Report

In FY2023, the Group complied with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Management Approach

Maintaining a fair, honest, open and standardised operation environment has always been a priority for the Group. To ensure adherence to ethical standards, the Group mandates its employees and business partners comply with the code of conduct. Internal policies such as the "Employee Handbook" (員工手冊) and "Accounting Management System (往來賬務管理系統) have been implemented to standardise employees' practices and promote integrity and honesty in the workplace. The Financial Supervisor is responsible for reviewing and monitoring the implementation of anti-corruption policies within the Group.

The Group provides a safe environment for whistle-blowers to report any suspected misconduct without fear of reprisals or inappropriate reactions. Whistle-blowers can choose to report verbally, or in writing to the Group's Human Resources Department or directly to the General Manager, providing full details of the incident and supporting evidence. The Group conducts thorough investigations into any suspected or illegal behaviour to protect its interests. If any criminal activity is substantiated, the Group will promptly submit a report to the relevant regulators or law enforcement authorities as deemed necessary by the Group's management.

In FY2023, the Group organised a 2-hour training workshop on anti-corruption and anti-bribery for 4 management members and 7 general employees. The Group will continue to provide employees with relevant trainings to educate them with relevant knowledge and raise their awareness on creating a clean working environment. During the year under review, there are zero concluded legal cases regarding corrupt practices brought against the Group or its employees.

B.8. Community Investment

As a corporate citizen, the Group is dedicated to conducting its operations in an ethical manner and making positive contributions to local economic development. As an enterprise focuses on creating values for all, the Group firmly upholds ethical values and demonstrates respect for communities and the environment. These principles are the foundation of the Group's transparent and successful business development.

In FY2023, the Group did not make any donations as it is still searching for organisations that suit its vision. However, the Group remains fully aware of its role as a social enterprise. It continues to prioritise the well-being of local communities and the society, and is committed to making further progress towards its fundamental achievements and goals. In the near future, the Group aims to establish a systematic approach that brings greater prosperity and positivity to communities.

VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
A. Environmental				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations	GRI 2-27, GRI 3-3 (c), GRI 305, GRI 306	11
	KPI A1.1	The types of emissions and respective emissions data.	GRI 305-1, 305-2, 305-3, 305-6, 305-7	12
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305-1, 305-2, 305-4	12
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306-3 (a)	11
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306-3 (a)	12
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 305-5	23
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 306-4, 306-5	15

Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	GRI 3-3 (c)	16
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302-1, 302-3	17
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GRI 303-5	17
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 302-4, 302-5	23
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GRI 3-3 (c, d), GRI 303-1	20, 23
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301-1	16
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	GRI 3-3 (c)	22
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 3-3 (c, d), GRI 303-1, GRI 304-2, GRI 306-1, 306-2	22
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	GRI 2-12 (a, b-i), GRI 3-3 (c)	24-26
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	GRI 201-2	25

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B. Social				
Employment and Labour Practices				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	GRI 2-27, GRI 3-3 (c)	29
	KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	GRI 2-7 (a, c), GRI 405-1 (b)	27-28
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401-1 (b)	31
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	GRI 2-27, GRI 3-3 (c), GRI 403-1	33
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	GRI 403-9, 403-10	34
	KPI B2.2	Lost days due to work injury.	N/A	34
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	GRI 3-3 (c, d), GRI 403-1, 403-3, 403-5, 403-7	33-34
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities Note: Training refers to vocational training. It may include internal and external courses paid by the employer	GRI 3-3 (c), GRI 404-2 (a)	35
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A	36
	KPI B3.2	The average training hours completed per employee by gender and employee category.	GRI 404-1	36

Environmental, Social and Governance Report

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	GRI 2-27, GRI 3-3 (c)	37
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI 3-3 (c), GRI 408-1 (c), GRI 409-1 (b)	37
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	GRI 3-3 (c, d), GRI 408-1 (c), GRI 409-1 (b)	37
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 3-3 (c)	38
	KPI B5.1	Number of suppliers by geographical region.	GRI 2-6 (b-ii)	38
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	GRI 2-6 (b-ii), GRI 3-3 (c, d), GRI 303-1 (c), GRI 308-1, 308-2, GRI 414-1, 414-2	38-39
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	GRI 2-6 (b-ii), GRI 3-3 (c, d), GRI 303-1 (c), GRI 308-1, 308-2, GRI 414-1, 414-2	39
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	GRI 3-3 (c, d)	40
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	GRI 2-27, GRI 3-3 (c), GRI 417-2, 417-3, GRI 418-1	40-41
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	41
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	GRI 2-29, GRI 3-3 (c, d), GRI 418-1	41
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	42
	KPI B6.4	Description of quality assurance process and recall procedures	N/A	41
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	GRI 3-3 (c)	42

Aspects	ESG Indicators	Description	GRI Standards Alignment*	Page
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	GRI 2-27, GRI 3-3 (c), GRI 205-3	43-44
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	GRI 205-3	44
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	GRI 2-26, GRI 3-3 (c), GRI 205	44
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	GRI 205-2	44
Community				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 3-3 (c)	44
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	GRI 203-1 (a)	44
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201-1(a-ii)	44

* The linkage between the GRI standards and disclosures that relate to each aspect in HKEX ESG Reporting Guide refers to the summary table from the 'Linking the GRI Standards and HKEX ESG Reporting Guide' (updated July 2020), with amendments from the GRI Universal Standards 2021